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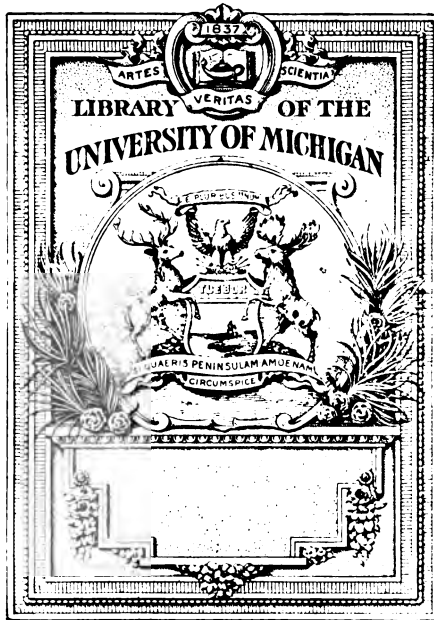
SPECIAL MESSAGE OF THE PRESIDENT OF THE UNITED STATES

Transmitted to the
Two Houses of Congress
March 3, 1911

ON
The President's In-
quiry into Economy
and Efficiency : : :

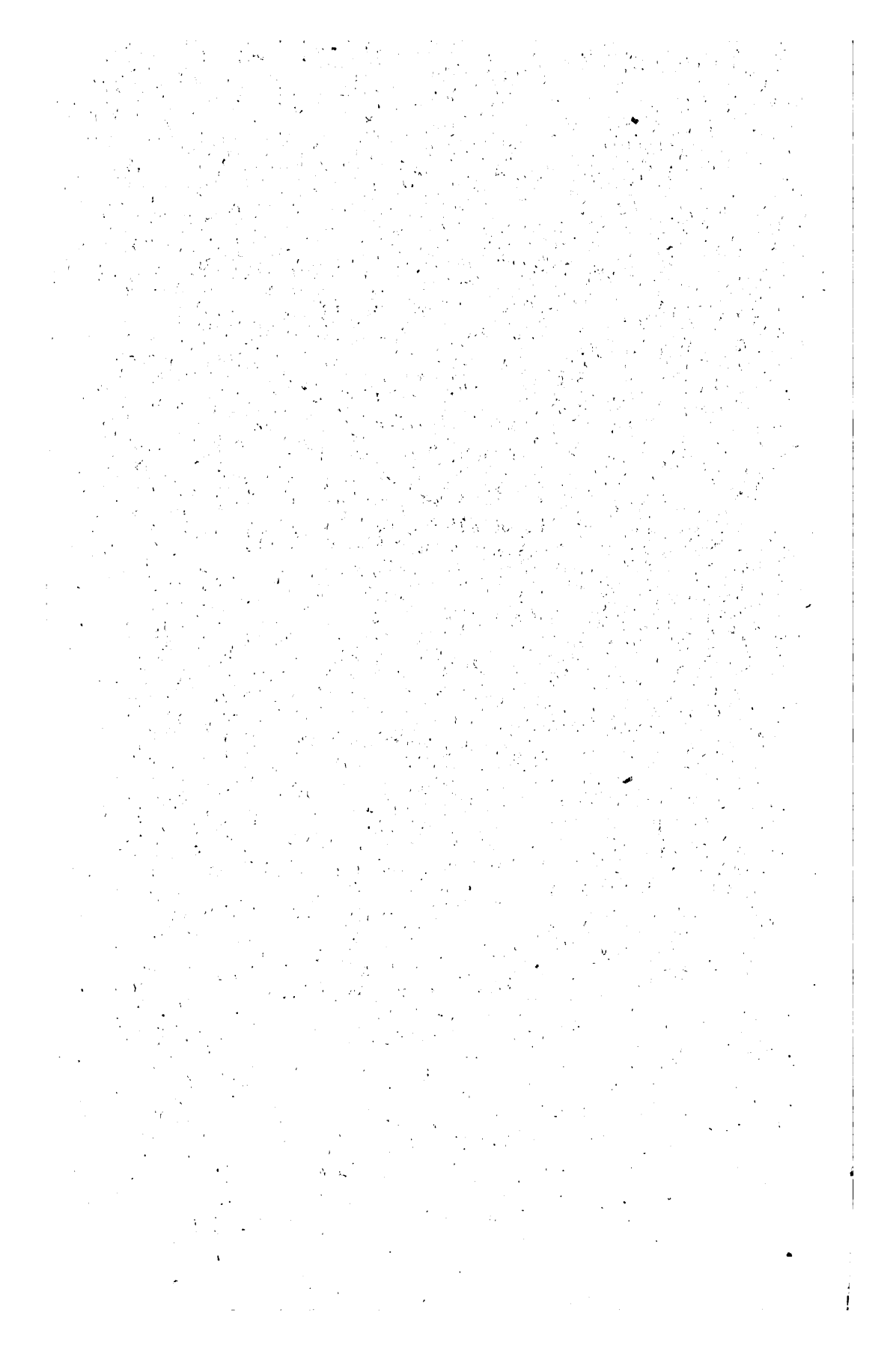


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U.S. President, 1909-1913 (Taft)

SPECIAL MESSAGE

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1911



M. D. J. ...
Bellevue, N.Y.
4-1-32

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SPECIAL MESSAGE.

To the Senate and House of Representatives:

I ask that you include in the sundry civil bill an appropriation for \$75,000 and a reappropriation of the unexpended balance of the existing appropriation to enable me to continue my investigation, by members of the departments and by experts, of the business methods now employed by the Government with a view to securing greater economy and efficiency in the dispatch of Government business.

The chief difficulty in securing economy and reform is the lack of accurate information as to what the money of the Government is now spent for. Take the combined statement of the receipts and disbursements of the Government for the fiscal year ended June 30, 1910—a report required by law and the only one purporting to give an analytical separation of the expenditures of the Government. This shows that the expenditures for salaries for the year 1910 were 132 millions out of 950 millions. As a matter of fact, the expenditures for personal services during that year were more nearly 400 millions, as we have just learned by the inquiry now in progress under the authority given me by the last Congress.

The only balance sheet provided to the administrator or to the legislator as a basis for judgment is one which leaves out of consideration all assets other than cash, and all liabilities other than warrants outstanding, a part of the trust liabilities and the public debt. In the liabilities no mention is made of about \$70,000,000 special and trust funds so held. No mention is made of outstanding contracts and orders issued as encumbrances on appropriations; of invoices which have not been vouchered; of vouchers which have not been audited. It is, therefore, impossible for the administrator to have in mind the maturing obligations to meet which cash must be provided. There is no means for determining the relation of current surplus or deficit. No operation account is kept, and no statement of operations is rendered showing the expenses incurred—the actual cost of doing business—on the one side,

and the revenues accrued, on the other. There are no records showing the cost of land, structures, equipment, or the balance of stores on hand available for future use; there is no information coming regularly to the administrative head of the Government or his advisers advising them as to whether sinking-fund requirements have been met, or of the condition of trust funds or special funds.

It has been urged that such information as is above indicated could not be obtained for the reason that the accounts were on a cash basis; that they provide for reports of receipts and disbursements only. But even the accounts and reports of receipts and disbursements are on a basis which makes a true statement of facts impossible. For example, all of the trust receipts and disbursements of the Government, other than those relating to currency trusts, are reported as "ordinary receipts and disbursements"; the daily as well as the monthly and annual statements of disbursements are mainly made up from advances to disbursing officers—that is to say, when cash is transferred from one officer to another it is considered as spent, and the disbursement accounts and reports of the Government so show them. The only other accounts of expenditures on the books of the Treasury are based on audited settlements, most of which are months in arrears of actual transactions. As between the record of cash advanced to disbursing officers and the accounts showing audited vouchers, there is a current difference of from four hundred millions to seven hundred millions of dollars, representing vouchers which have not been audited and settled.

Without going into greater detail, the conditions under which legislators and administrators, both past and present, have been working may be summarized as follows: There have been no adequate means provided whereby either the President or his advisers may act with intelligence on current business before them; there has been no means for getting prompt, accurate, and correct information as to results obtained; estimates of departmental needs have not been the subject of thorough analysis and review before submission; budgets of receipts and disbursements have been prepared and presented for the consideration of Congress in an unscientific and unsystematic manner; appropriation bills have been without uniformity or common principle governing them; there have been practically no accounts showing what the Government owns and only a partial representation of what it owes; appropriations have been overencumbered without the facts being known; officers of Government have had no regular or systematic method

of having brought to their attention the costs of governmental administration, operation, and maintenance, and therefore could not judge as to the economy or waste; there has been inadequate means whereby those who served with fidelity and efficiency might make a record of accomplishment and be distinguished from those who were inefficient and wasteful; functions and establishments have been duplicated, even multiplied, causing conflict and unnecessary expense; lack of full information has made intelligent direction impossible and cooperation between different branches of the service difficult.

I am bringing to your attention this statement of the present lack of facility for obtaining prompt, complete, and accurate information, in order that Congress may be advised of the conditions which the President's inquiry into economy and efficiency has found and which the administration is seeking to remedy. Investigations of administrative departments by Congress have been many, each with the same result. All the conditions above set forth have been repeatedly pointed out. Some benefits have accrued by centering public attention on defects in organization, method, and procedure, but, generally speaking, however salutary the influence of legislative inquiries (and they should at all times be welcome), the installation and execution of methods and procedure which will place a premium on economy and efficiency and a discount on inefficiency and waste must be carefully worked out and introduced by those responsible for the details of administration.

It was with this strong conviction, based on years of observation in public service, as well as on analogy found in corporate practice, that I asked Congress a year ago for an appropriation of \$100,000 to pay the expenses of an inquiry into the methods of transacting public business, with a view to "inaugurating new or changing old methods so as to attain greater economy and efficiency." First of all, this inquiry has sought to know what is the problem before each administrative head, i. e., what are the powers, duties, and limitations imposed on each officer; what is the organization and equipment by means of which these powers and duties are executed or made effective; what are the methods and procedure employed; what records are kept; what reports have been made. These inquiries have been made and the results have been indexed and tabulated and made available to the several departmental committees. In the progress of the work the estimates for 1912 have been brought together on a uniform basis; expenditures have been reclassified and the objects of expenditure have been codified; uniform forms of expenditure documents have

been devised and are now being considered for installation; the auditing organization and procedure are under discussion; new forms of expenditure, accounting, and reporting are being critically reviewed to the end that a common method and procedure may be introduced throughout the service. A general constructive program has been mapped out.

The appropriations asked for will enable the President, as the responsible head of the administration, to provide the means for effectively undertaking the revision of administrative methods and accounts, so far as lie in his powers, without legislative action. The amount asked for was small, because it was expected that as soon as a well-supported plan was developed a very large number of highly competent technical men might be found in the service who might be brought into cooperative relation to make the work of revision one of evolution and permanent benefit to the Government. The cooperation and the high character of service obtained among regular employees has even surpassed my hopes.

Predictions and forecasts of economy are relatively easy to make but are seldom of value. It must be admitted, however, by all that under such circumstances as have prevailed in the past any well-directed and well-sustained effort which will cause each branch of the service to cooperate in a program of economy and efficiency will each year produce results that will mean many times more than the cost. If inquiry is accompanied by constructive effort which aims toward uniformity of practice; systematic handling of the business will come inevitably as a result of greater intelligence of administrative direction and control.

I strongly urge, therefore, that Congress provide the necessary funds to carry on this important work. I urge this, not only that the President may have before him the information necessary to the intelligent exercise of his present powers, but that he may also lay before Congress such recommendation as may be deemed necessary to make a well-considered constructive program effective.

WM. H. TAFT.

THE WHITE HOUSE, *March 3, 1911.*



